

FEDERAL RESERVE BANK OF CHICAGO

REPORT OF BUSINESS CONDITIONS IN THE SEVENTH FEDERAL RESERVE DISTRICT

DECEMBER 25, 1919.

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Although the coal shortage, due to the bituminous miners' strike, seriously interfered with production activities in the Middle West, the effect of the fuel conservation order has not found its reflection in any material falling off in the volume of business at the banks. The demand for bank accommodations continued heavy through the fuel conservation period, indicating that any recession in industry and trade due to fuel shortage had been regarded as a temporary interference with production rather than a fundamental development calling for a lessening in the demand for bank accommodations.

Banking Situation Reflects Unusually High Commodity Prices

At the same time the banking situation reflects the unusually high prices at which commodities are being carried and the absorption of available bank credits by the considerable amounts of securities in process of digestion. Bankers as a rule are not looking for any recession in money rates until after the turn of the year, and even then the customary normal flow of funds to the larger banking centers may be insufficient to ease rates to any considerable extent, unless other causes intervene.

The rapidity with which business picked up the slack caused by the coal shortage and fuel conservation restrictions is clearly indicative of a determination to forge ahead courageously but with due regard for the necessity of conservative commitments at the existing price levels.

Popular Unrest Continues A Big Factor

Business is good, according to the advices from all lines of trade. There is in evidence, however, a certain amount of popular unrest. Men who worked with zeal and fine contentment previous to the European war are idling away a part of their time. There is a disposition among wage earners toward less efficiency, not only in the shortening of hours but in the actual amount of work performed per hour, whereas the pay envelope which was regarded as generous in 1914 is now a subject of scorn, and hours of toil satisfactory in the pre-war period are now referred to as burdensome to the worker.

Wages continue to increase and people continue to spend their money freely. Almost everybody seems inclined toward extravagance, and while the banks report a large number of new savings accounts, these are not from the mechanics and general laborers. The wage earner is spending freely for pleasure, amusement and adornment, and among them according to merchants, "no price is extreme if the goods are in fashion."

Housing Problem is Becoming Serious

The housing situation is looming up as a serious problem in practically all of the industrial centers in the Middle West. In Detroit as well as in Chicago, where the growth of population in the last few years has been abnormal, the situation is acute. Interference with construction in Chicago through strikes retarded the building of homes sufficiently to add to an already acute shortage of homes. Conditions in Chicago a year ago were such as to bring into use for winter housing, places built for summer use only.

Apartments in Chicago which for many years had been idle and almost ready for condemnation, are again pressed into service, and several families in many instances are "doubling up." In the congested sections such as the foreign districts and in parts of the West Side and in the belt circling Chicago's Loop or downtown district, the situation makes not only for the undermined health of the occupants, but contributes to serious and growing dissatisfaction. The so-

called middle class of salaried people, with incomes ranging from \$2,000 to \$5,000 a year, also have found the scarcity of dwelling space a serious factor in their living costs, with home seekers bidding up rentals against each other to extreme figures. Rentals have advanced from 20 to 75 per cent and even 100 per cent.

Shortage of Homes in Chicago Large as Rentals Rise

Obviously it is impossible to present exact figures to show the acute condition. Estimates from sources which ordinarily are regarded as reliable, place the shortage in Chicago alone at between 40,000 and 50,000 homes. The increase in population in Chicago during the last two years is conservatively estimated at between 75,000 and 100,000 persons per year, which means that between 150,000 and 200,000 additional persons required housing, in a period when building construction was either at a standstill or was greatly curtailed by war-time restrictions, expectation of lower prices for material and labor and by strike interference.

The kind of homes which appear to be chiefly in demand are the four, five and six room apartments. The one and two room kitchenette apartments are more frequently constructed because of the income they return to the owner, renting from \$65 to \$100 and up per month. Thus far this year there have been granted permits for about \$90,000,000 of work, and it is said that this takes care of the normal increase and about 5,000 to 10,000 units of the shortage in homes. At the present rate, authorities estimate from four to ten years will be required to overcome the housing deficiency.

Detroit and Smaller Cities Encourage Home Building

The shortage in homes in Detroit is estimated at 33,000, which is nearly 10,000 greater than a year ago, and notwithstanding the active campaign, next year will probably see an increased deficit. So far in 1919 there have been approximately 11,500 new apartments, while the requirements were for 20,000. The annual increase in population in Detroit is now estimated at 100,000, while the increase in the accommodations as the result of 1919 building will care for approximately 14,600 families. There has been and is in prospect considerable building of groups of cottages by contractors and manufacturers, at \$1,000 to \$1,800. Rentals in Detroit have increased on the whole about 85 per cent.

In South Bend, Ind., the shortage in homes is acute, owing to the great industrial growth. Old factories are expanding and new ones coming to town. There were about 500 homes built last year and plans contemplate 1,500 to be built in 1920. Fort Wayne, Ind., reports a shortage of 1,000 homes, with rentals 20 to 25 per cent higher. East Chicago, Ind., building is hampered by high material and labor costs, with rentals from 20 to 25 per cent higher. Hammond, Ind., has a shortage of homes and reports a further increase in rentals of 15 per cent, bringing the advance between 35 and 40 per cent from pre-war figures.

Rentals Generally Have Advanced Sharply

Indianapolis has experienced an increase in rentals of from 35 to 50 per cent, with a prospect of further dwelling shortage. Lafayette, Ind., has an acute housing situation, with rentals 20 per cent higher and no available houses or apartments. The same condition prevails at Muncie, Ind., with rentals for business rooms 100 per cent higher and common residences 75 per cent higher than in pre-war times, while furnished rooms are 50 per cent higher.

The building situation at Terre Haute, Ind., is about 75 per cent of normal, with rentals about 10 per cent above pre-war times. Mishawaka, Ind., has experienced a shortage of homes for several years, but a building program is being worked out by manufacturers to finance the employees so that they may own their own homes. It is estimated that 500 additional homes could be used. Rentals are 25 to 40 per cent higher than in normal times.

In lower Michigan, Saginaw reports 10 per cent increase in rentals compared with a year ago, and 30 to 40 per cent higher than in war times, with 100 houses under construction. Muskegon estimates 1,000 new homes built within a year but rentals have advanced 14 per cent. Battle Creek rentals have increased from 50 to 60 per cent since 1917 owing to the rapid industrial growth and a demand for homes far in excess of supply, with plans now under way for the building of 1,000 new homes in 1920.

Des Moines and other Iowa cities are also experiencing a shortage in homes, but correspondents attribute this shortage in the smaller cities chiefly to wealthy farmers moving into town and the abandonment of the poorer for the better buildings. There is a boom in several of these towns in the building of houses costing from \$3,000 to \$7,000. Rentals have advanced from 20 to 50 per cent in Iowa cities.

Decline in Land Speculation

One encouraging feature in the advices from Iowa and Illinois is the assurance on the part of bankers that the rise in the price of land has undoubtedly received a decided check and in some instances, according to those well posted, prices have declined 25 per cent compared with a few months ago. The consensus of opinion is that there will be little land change hands until after the settlements of March, when it will be known how many defaults have occurred in contracts already made.

Tremendous Buying Power a Feature

Merchandising continues to reflect the tremendous buying power of the Middle West, despite the interference dealt by the coal strike. Nevertheless it is impossible to foresee the effect if industry receives many more similar blows, because it is difficult to understand how practically all industry and nearly all sources of revenue, corporate and individual, can be curtailed for any considerable time without greatly reducing trade. Apparently the offset to this influence is the recognized shortage of practically every human necessity, which leads people to believe that no matter what happens there will still be eager buyers for all available merchandise during the next few years.

Merchants, while hampered by transportation troubles and restricted manufacturing, report a good trade in both retail and wholesale stores. Heavy snows and cold weather have interfered with country traveling in some parts of the district. General merchandising stocks are good but prices are so high that a great amount of capital is tied up, and there are some indications of higher prices until late in 1920.

Hog Prices Continue to Decline

The decline in hog prices has hit the farmer hard, the average price in November being \$14.20 at Chicago for live hogs, compared with \$17.70 a year previous, while the average price for December is considerably lower. The receipts of cattle at the principal markets in the last month showed an increase of 2 per cent, calves 28 per cent and sheep 3 per cent, while the average price for cattle is slightly higher than a year ago. The average price for sheep and lambs is slightly lower.

The heavy movement of cattle from the drought sections of Montana, Wyoming and Kansas toward the southwest for grazing grounds, which are in good condition, has resulted in considerable paper being offered by cattle loan companies operating in this market, but not in excessive quantities.

Receipts of live stock at the Chicago market during the four weeks ending December 13, compared with the corresponding period of 1918, are as follows:

| | Cattle | Calves | Hogs | Sheep |
|-----------|----------|--------|---------|---------|
| 1919..... | 393,286 | 68,884 | 903,244 | 447,639 |
| 1918..... | 419,918 | 48,797 | 979,172 | 536,733 |
| | Decrease | 25,087 | 75,928 | 89,094 |
| *Increase | | | | |

Crop Conditions Regarded Favorable

Crops in northern Illinois, Michigan, Wisconsin and Iowa are going into the winter in good condition, the blanket of snow furnishing protection against extreme cold weather. The winter wheat acreage in Iowa is considerably less than that of a year ago. In northern Indiana the snow is not so prevalent and more will be necessary to protect the wheat from freezing. Most of the corn crop is husked and in the crib.

Demand For Lumber Heavy at Higher Prices

There continues to be a good demand for lumber all through the Middle West, it being double that of 1918 in the Chicago district alone. Lumber has experienced a marked advance in the last few weeks in a wholesale way, but dealers report that the higher prices have not deterred the consumers from buying.

The coal strike which adversely affected the iron and steel industry by making it impossible to accumulate any surplus pig iron, has worked a great inconvenience to manufacturers and machinists.

Factors in the Credit Situation

Grain and milling concerns have been taking a considerable amount of money lately owing to the high price of their commodity and also a request of the Grain Corporation that millers requisition a lot of grain which the Corporation had in storage. The lifting of the embargo against Canadian grain is not expected to affect the milling situation here to any material extent. While Canadian grain may be imported, it is believed that such as is offered may be of an inferior quality, the best having gone to England. The larger mills of the country have been grinding at capacity since early in August and have been using large amounts of wheat.

Bank exchanges at the Chicago Clearing House for the first eighteen days of December aggregate \$1,699,661,000, an increase of \$336,823,000 compared with a year ago, while exchanges at 20 of the leading clearing houses in the Seventh Federal Reserve District aggregated \$461,466,100, an increase of \$120,899,200 compared with a year ago.

SELECTED MEMBER BANK STATISTICS—SEVENTH DISTRICT

(000's omitted)

| | Chicago 50 Member Banks | | | Detroit 12 Member Banks | | | Other 45 Member Banks | | |
|---|----------------------------|----------|--------------------------|----------------------------|----------|-----------|--------------------------|----------|-----------|
| | Jan. 3 | Nov. 7 | Dec. 5 | Jan. 3 | Nov. 7 | Dec. 5 | Jan. 3 | Nov. 7 | Dec. 5 |
| Loans— | | | | | | | | | |
| Secured by U.S. war obligations | \$61,160 | \$66,542 | *\$68,988 | \$ 8,720 | \$11,372 | *\$10,996 | \$18,420 | \$14,258 | *\$96,186 |
| Loans secured by stocks and bonds other than U.S. securities | | 278,081 | 369,595 | | 42,105 | 49,077 | | 37,111 | 45,420 |
| All other loans and investments | 846,008 | 714,002 | 770,445 | 244,085 | 276,053 | 282,265 | 280,989 | 300,061 | 290,575 |
| Reserve Balance with Federal Reserve Banks | 108,825 | 122,921 | 129,277 | 21,886 | 27,607 | 26,468 | 25,241 | 27,150 | 26,777 |
| Cash in Vault | 44,555 | 39,270 | 42,737 | 13,821 | 15,879 | 14,280 | 15,311 | 14,642 | 14,511 |
| Deposits— | | | | | | | | | |
| Net demand | 794,398 | 904,086 | 944,723 | 162,048 | 211,330 | 206,416 | 209,707 | 231,453 | 219,761 |
| Time | 149,859 | 176,238 | 250,865 | 155,896 | 187,616 | 193,850 | 89,211 | 104,857 | 107,470 |
| Government | 13,962 | 18,042 | 31,925 | 13,964 | 3,140 | 12,951 | 6,189 | 4,809 | 7,983 |
| Bills Payable and Rediscounts— | | | | | | | | | |
| Collateral Notes | 37,785 | 40,252 | 49,959 | 12,154 | 30,825 | 31,458 | 18,380 | 29,103 | 23,265 |
| Bills Rediscounted | 10,186 | 22,974 | 62,177 | 412 | 2,252 | 2,324 | 16,191 | 11,562 | 13,082 |
| | | | Other Selected Cities | | | | | | |
| *Includes Liberty Bonds | 49,363 | 8,037 | 13,193 | | | | | | |
| Victory Notes | 15,585 | 2,892 | 2,560 | | | | | | |
| Certificates of Indebt. | 4,040 | 67 | 449 | | | | | | |

RECEIPTS AND SHIPMENTS OF IMPORTANT COMMODITIES AT CHICAGO

(000's omitted)

| | Receipts | | | Shipments | | |
|-----------------------|----------|----------|--------|-----------|----------|---------|
| | October | November | 1918 | October | November | 1918 |
| Flour, barrels | 1,190 | 995 | 1,167 | 790 | 553 | 797 |
| Wheat, bushels | 9,191 | 6,279 | 3,342 | 5,507 | 3,484 | 3,939 |
| Corn, bushels | 4,802 | 11,550 | 4,851 | 3,076 | 5,084 | 1,996 |
| Oats, bushels | 9,385 | 10,942 | 5,515 | 7,863 | 6,914 | 6,761 |
| Cured Meats, pounds | 10,160 | 16,895 | 12,402 | 104,012 | 94,557 | 111,423 |
| Fresh Meats, pounds | 77,829 | 128,424 | 81,491 | 153,490 | 171,870 | 262,900 |
| Lard, pounds | 7,232 | 8,320 | 11,166 | 55,686 | 50,636 | 58,033 |
| Cheese, pounds | 22,384 | 18,399 | 17,505 | 24,333 | 6,361 | 19,112 |
| Butter, pounds | 24,497 | 21,916 | 18,671 | 25,126 | 20,486 | 20,750 |
| Eggs, cases | 236 | 240 | 117 | 379 | 369 | 303 |
| Potatoes, bushels | 2,889 | 3,600 | 2,010 | 1,432 | 1,854 | 688 |
| Hides, pounds | 16,863 | 10,874 | 17,101 | 27,939 | 16,502 | 27,522 |
| Lumber, thousand feet | 208 | 130 | 176 | 95 | 70 | 70 |

COMPARATIVE STATISTICS OF BUILDING AND ENGINEERING OPERATIONS

Contracts awarded in States north of the Ohio and east of the Missouri Rivers, from January 1, to December 1, 1919.

| | | | | | |
|------|-----------------|------|-----------------|------|---------------|
| 1919 | \$2,332,902,000 | 1916 | \$1,243,998,397 | 1913 | \$798,117,500 |
| 1918 | 1,681,929,000 | 1915 | 857,190,100 | 1912 | 808,391,500 |
| 1917 | 1,527,370,000 | 1914 | 677,920,300 | 1911 | 735,283,813 |

Contracts awarded in Seventh Federal Reserve District States—Illinois, Indiana, Iowa, Michigan and Wisconsin—also Northern Missouri and Eastern Kansas.

| | | | | | |
|------|---------------|------|---------------|------|---------------|
| 1919 | \$320,506,000 | 1916 | \$424,231,897 | 1913 | \$173,389,000 |
| 1918 | 474,609,000 | 1915 | 230,601,600 | 1912 | 168,950,000 |
| 1917 | 573,762,000 | 1914 | 196,564,300 | 1911 | 140,062,313 |

BUILDING PERMITS OF SEVENTH FEDERAL RESERVE DISTRICT CITIES

| | —November, 1919— | | —November, 1918— | | Per Cent Gain | Per Cent Loss |
|------------------|---------------------|-------------------|---------------------|-------------------|------------------|------------------|
| | No. of Buildings | Estimated Cost | No. of Buildings | Estimated Cost | | |
| Illinois | | | | | | |
| Aurora | 27 | \$ 202,700 | 14 | \$ 21,400 | 847 | — |
| Chicago | 765 | 17,577,000 | 76 | 1,223,400 | 1336 | — |
| Decatur | 66 | 182,875 | 16 | 10,480 | 1845 | — |
| Peoria | 38 | 885,476 | 12 | 23,882 | 3611 | — |
| Rockford | 115 | 253,515 | — | — | — | — |
| Springfield | 76 | 164,135 | 20 | 28,905 | 467 | — |
| Indiana | | | | | | |
| Elkhart | 9 | 28,800 | 2 | 7,200 | 300 | — |
| Hammond | 38 | 281,043 | 24 | 41,750 | 573 | — |
| Indianapolis | 472 | 600,718 | 246 | 203,702 | 194 | — |
| Richmond | 17 | 65,750 | 15 | 7,600 | 765 | — |
| South Bend | 192 | 382,439 | 44 | 53,380 | 66 | — |
| Terre Haute | 38 | 83,360 | 28 | 15,940 | 422 | — |
| Iowa | | | | | | |
| Cedar Rapids | 37 | 130,000 | 10 | 39,000 | 233 | — |
| Davenport | 115 | 183,815 | 38 | 3,194 | 5655 | — |
| Des Moines | 91 | 383,750 | 18 | 33,000 | 1062 | — |
| Dubuque | 10 | 75,090 | 1 | 125 | 59972 | — |
| Sioux City | 85 | 375,360 | 9 | 1,011,150 | — | 62 |
| Michigan | | | | | | |
| Battle Creek | 60 | 88,000 | 24 | 30,000 | 193 | — |
| Bay City | 34 | 546,000 | 13 | 21,065 | 2491 | — |
| Detroit | 1,643 | 7,989,530 | 272 | 673,865 | 1085 | — |
| Flint | 347 | 617,321 | — | — | — | — |
| Grand Rapids | 131 | 676,090 | 35 | 8,511 | 7848 | — |
| Jackson | 74 | 420,225 | 39 | 38,545 | 990 | — |
| Kalamazoo | 20 | 104,356 | — | — | — | — |
| Lansing | 144 | 210,060 | 20 | 5,800 | 3521 | — |
| Saginaw | 153 | 318,467 | 53 | 78,817 | 381 | — |
| Wisconsin | | | | | | |
| Kenosha | 145 | 181,417 | 72 | 204,209 | — | 11 |
| Madison | 30 | 530,650 | 2 | 5,800 | 9049 | — |
| Milwaukee | 269 | 2,963,481 | 79 | 216,822 | 1266 | — |
| Oshkosh | 17 | 32,440 | — | — | — | — |

